CONGRESSIONAL BUDGET OFFICE
PAY-AS-YOU-GO ESTIMATE

May 22, 2002

H.R. 2646
Farm Security and Rural Investment Act of 2002

As cleared by the Congress on May 8, 2002,
and signed by the President on May 13, 2002

SUMMARY

H.R. 2646 (enacted as Public Law 107-171 on May 13, 2002) amends and extends the major farm income support, land conservation, food assistance, trade promotion, rural development, research, forestry and energy programs administered by the U.S. Department of Agriculture (USDA). CBO estimates this law will increase direct spending for these programs by $1.6 billion in 2002, $49.2 billion over the 2002-2007 period, and $87.3 billion over the 2002-2012 period. When combined with estimated spending already authorized prior to enactment of this law, we estimate that H.R. 2646 will bring total spending to $73.7 billion in 2002, $470.5 billion over the 2002-2007 period, and $869.3 billion over the 2002-2012 period. Of these totals, food assistance programs account for $51.3 billion in 2002, $326.6 billion over the 2002-2007 period, and $626.8 billion over the 2002-2012 period.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

CBO's estimate of the budgetary effects of provisions that will affect direct spending is shown in Table 1. For the purposes of enforcing pay-as-you-go procedures, only the effects through fiscal year 2006 are counted. The budgetary impact of the act falls under budget functions 270 (energy), 300 (natural resources and environment), 350 (agriculture), 450 (community and regional development), and 600 (income security).

TABLE 1. ESTIMATED EFFECTS OF H.R. 2646 ON DIRECT SPENDING AND RECEIPTS

	By Fiscal Year, in Millions of Dollars										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Changes in outlays	1,613	8,406	9,854	10,212	9,867	9,253	8,072	8,037	7,519	7,273	7,172
Changes in receipts	Not applicable										

BASIS OF ESTIMATE

H.R. 2646 is a comprehensive act affecting commodity, conservation, trade, nutrition, rural development, research, energy, and other programs. For most programs, the act covers fiscal years 2002 through 2007, but for many of these programs CBO estimates costs through 2012 as required under section 257 of the Balanced Budget and Emergency Deficit Control Act. The following discussion highlights some of the significant changes included in H.R. 2646. The estimated cost of each title of the act over the 2002-2012 period is shown in Table 2.

Title I: Commodity Programs. This title reauthorizes and amends commodity support programs administered by USDA. CBO estimates that title I will increase direct spending by $37.6 billion over the 2002-2007 period, and by $60.5 billion over the 2002-2012 period.

Direct Payments for Covered Commodities. The act will continue, at a higher level, USDA's direct payments to producers of grains and cotton, and will allow producers of soybeans and other oilseeds to receive them. Under the act, farmers will have a one-time opportunity to update their program acreage—the historical averages used to determine their level of program benefits.

Counter-Cyclical Payments for Covered Commodities. The act authorizes USDA to make automatic payments to producers to offset low prices—known as counter-cyclical payments. Payments under the program will begin with the 2002 crop of grains, oilseeds, and cotton. These payments will be based in part on a farm’s updated program acreage and on a one-time opportunity to update a farm’s payment yield. The payment rate will be the target price established in the act less the direct payment rate (also specified in the act) and less the crop price or the price-support loan rate if it is higher than the crop price. Target prices are, in general, lower for 2002 and 2003 than during the 2004-2007 period.

TABLE 2. ESTIMATED COST OF H.R. 2646, DIRECT SPENDING BY TITLE

	By Fiscal Year, in Millions of Dollars										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Title I, Commodity Programs											
Estimated Budget Authority	965	7,166	8,030	7,779	7,157	6,492	5,285	5,201	4,539	4,102	3,820
Estimated Outlays	965	7,166	8,030	7,779	7,157	6,492	5,285	5,201	4,539	4,102	3,820
Title II, Conservation											
Estimated Budget Authority	706	1,088	1,541	1,896	1,999	1,968	1,861	1,914	2,011	2,095	2,185
Estimated Outlays	365	507	912	1,329	1,654	1,764	1,734	1,789	1,922	2,061	2,185
Title III, Trade											
Estimated Budget Authority	23	95	91	90	92	141	153	153	153	153	153
Estimated Outlays	23	95	91	90	92	141	153	153	153	153	153
Title IV, Nutrition											
Estimated Budget Authority	-81	251	448	626	743	805	862	926	989	1,055	1,128
Estimated Outlays	69	414	473	647	760	817	873	931	987	1,048	1,116
Title VI, Rural Development											
Estimated Budget Authority	700	-90	70	70	60	60	0	0	0	0	0
Estimated Outlays	16	138	220	180	101	92	79	36	6	2	0
Title VII, Research											
Budget Authority	8	-120	123	143	163	203	203	200	200	200	200
Estimated Outlays	8	-48	27	59	107	143	181	190	196	200	200
Title VIII, Forestry											
Estimated Budget Authority	5	20	20	20	20	15	0	0	0	0	0
Estimated Outlays	2	10	17	20	20	18	10	3	0	0	0
Title IX, Energy											
Estimated Budget Authority	6	104	74	92	90	39	0	0	0	0	0
Estimated Outlays	3	84	67	92	90	39	22	8	0	0	0
Title X, Miscellaneous											
Estimated Budget Authority	165	18	16	15	-255	-262	-269	-280	-289	-300	-310
Estimated Outlays	162	41	17	16	-114	-253	-265	-274	-284	-293	-302
Total Direct Spending											
Estimated Budget Authority	2,498	8,532	10,413	10,731	10,069	9,461	8,095	8,114	7,603	7,305	7,176
Estimated Outlays	1,613	8,406	9,854	10,212	9,867	9,253	8,072	8,037	7,519	7,273	7,172

Loans and Loan Deficiency Payments. The act authorizes USDA to continue crop loans and marketing loan programs for major row crops (grains, oilseeds, and cotton). Loan rates will be higher than prior years for most of these crops, but maximum loan rates for soybeans and other oilseeds will decline. Loan rates will also be higher during 2002 and 2003 then during the 2004-2007 period.

Loans and Loan Deficiency Payments for Other Commodities. The act establishes a nonrecourse loan program of marketing assistance for producers of wool, mohair, honey, dry peas, lentils, and small chickpeas. Marketing loan gains and loan deficiency payment provisions will apply to these commodities and will be subject to a separate $75,000 payment limitation.

Peanuts. The act makes substantial changes to USDA's peanut program. Peanut marketing quotas and support rates for peanuts produced within the marketing quotas will be eliminated. Instead, peanut producers will become eligible for direct payments, counter-cyclical payments, and marketing assistance loan benefits (including payments for storage and handling). Under the legislation, a single, nonrecourse loan rate will apply for marketing assistance to all peanut production that is lower than the rate in effect for the 2001 crop. The act will compensate some peanut growers for the loss of asset value due to the elimination of marketing quotas.

Sugar Program. The act extends and amends USDA's sugar program by removing the marketing assessment paid by growers under requirements formerly in effect, lowering the interest rate charged on price-support loans, and adding a storage facility loan. The act also reinstates marketing allotments for domestically produced sugar and provides enhanced paid diversion authority as a means of reducing costs of the program.

Dairy. The act extends the milk price support program indefinitely at a purchase price of $9.90 per hundredweight. The Dairy Export Incentive Program is reauthorized. The act also authorizes the Secretary of Agriculture to make national dairy market loss payments to dairy producers. Payments will be based on a payment rate equal to 45 percent of the difference between $16.94 and the average price of class I milk (milk used for fluid use) in Boston, Massachusetts. The payment will be made on total monthly production of milk, subject to an annual limit of 2.4 million pounds.

Payment Limits. The act maintains a $40,000 payment limit for direct payments for grains, oilseeds, and cotton; and establishes a $65,000 limit for counter-cyclical payments for these crops. Loan benefits are limited to $75,000. Rules for three entities and use of commodity certificates continues with minor modifications. The act establishes separate payment limits for a combination of peanuts, wool and mohair, and pulse crops ($40,000 for direct payments, $65,000 for counter-cyclical payments, and $75,000 for marketing loan benefits).

In addition, the act prohibits program payments to anyone who has average adjusted gross income in excess of $2.5 million, unless at least 75 percent of the income is from agricultural sources.

Hard White Wheat Payments. The act provides $20 million over crop years 2003 through 2005 to establish an incentive payment program to encourage production of hard white winter wheat.

Renewed Availability of Certain Payments. The act authorizes payments to individuals who qualified for certain past payments, but were denied such payments because of late applications and other reasons.

Title II: Conservation Programs. This title reauthorizes and expands land conservation programs administered by USDA. CBO estimates these provisions will cost $6.5 billion over the 2002-2007 period, and $16.2 billion over the 2002-2012 period.

Changes to Existing Programs. The act will increase the maximum acreage enrollment in the Conservation Reserve Program to 39.2 million acres from the cap of 36.4 million acres that existed previously. Acreage enrollment in the Wetlands Reserve Program (WRP) will expand by up to 2.275 million acres, subject to no more than 250,000 acres per fiscal year. Funding for the Environmental Quality Incentives Program (EQIP) will be increased by $200 million in 2002 and will grow by $1.1 billion by 2012. In addition, the act will increase funding for the Wildlife Habitat Incentives Program by an average of $71 million a year, and for the Farmland Protection Program by an average of $98 million a year. The bill also authorizes Commodity Credit Corporation (CCC) expenditures for the Small Watershed Program for 2003 through 2007. The act also doubles funding for Agricultural Management Assistance (from $10 million to $20 million) over the 2003-2007 period.

New Conservation Program. The act establishes a conservation security program for producers to receive payments from the Commodity Credit Corporation for implementing certain conservation practices. Payments will be based on a percentage of the average rental rate for farmland in their county, depending on the level of conservation practice implemented. The program establishes three tiers of payments, with higher payments under each successive tier to compensate for higher requirements for conservation practices. Eligible producers will have to develop a conservation security contract describing conservation practices on their land, and have the contract approved by USDA before annual incentive payments are paid. The act also establishes the Grasslands Reserve program. This program will authorize the USDA to enroll up to two million acres in a combination of short-term and permanent easements. The act also transfers $200 million from CCC to the Bureau of Reclamation to provide water to lakes in desert regions that are at risk of drying up.

Title III: Trade Programs. Title III extends USDA's authority to administer programs to promote trade through 2012, and increases funding for the Market Access Program, the Foreign Market Development Cooperator Program and the Food for Progress Program. CBO estimates that enacting title III will cost about $532 million over the next six years, and about $1.3 billion through 2012.

Increases to Existing Programs. The act gradually increases annual funding for the Market Access Program from $90 million to $200 million, increases annual funding for the Foreign Market Development Cooperator Program from $28 million to $35 million, and increases the caps on annual funding for administrative and transportation expenditures under the Food for Progress program. The cap on administrative expenditures increases from $10 million to $15 million, while the cap on transportation and other non-commodity expenditures increases from $30 million to $40 million. The act also provides $100 million in 2003 from the CCC to continue an international feeding program initiated as a pilot program in 2001. Those provisions account for most of the estimated cost of title III.

New Trade Program. Title III also authorizes $2 million in annual CCC funding to establish an export assistance program for specialty crop producers.

Title IV: Nutrition Programs. Title IV reauthorizes the Food Stamp and related nutrition programs through fiscal year 2007. In addition, it makes several changes in those nutrition programs. Most of those changes will be effective October 1, 2002. CBO estimates title IV will increase direct spending by $69 million in 2002 and by $8.1 billion over the 2002-2012 period.

Reauthorization of the Food Stamp Program. Section 4122 reauthorizes the Food Stamp program through fiscal year 2007. Because the program is assumed to continue in CBO's baseline after it expires at the end of 2002, CBO does not estimate this reauthorization would result in additional federal costs, relative to baseline levels.

Income Definition. Section 4102 allows a state to exclude from gross income in the Food Stamp program any educational loans or other educational assistance that the state is required to exclude in Medicaid. It also allows a state to exclude the types of income that it excludes in Medicaid or cash assistance under the Temporary Assistance for Needy Families program (TANF). CBO estimates that this provision will increase spending by $70 million over the 10-year period. CBO used Food Stamp Quality Control (QC) data to estimate the change in benefits if educational assistance that was counted under prior law were excluded from income in determining benefits. CBO estimates about 5,000 households will be affected with an average benefit increase of $73 per month in 2004.

CBO also added costs for excluding a small portion of unearned income. States have flexibility to determine what is excluded from the definition of income in Medicaid and TANF, so the rules vary by state, but most differences are minor. CBO assumes that 90 percent of states will exercise the option to exclude income as allowed under this section.

Standard Deduction. Section 4103 will set the amount of the standard deduction as a percentage of the net income threshold. Under prior law, all households received a fixed dollar deduction from gross income: $134 in the contiguous 48 states and the District of Columbia. (Alaska, Hawaii, Guam, and the U.S. Virgin Islands have different standard deductions.) This law will set the standard at 8.31 percent of the net income threshold by household size for each fiscal year. Smaller households will be guaranteed the prior-law standard deduction, and no household will receive a standard deduction that is higher than 8.31 percent of the net income threshold for a household of six people.

Under this section, some households will receive higher Food Stamp benefits than under prior law, because less of these households' income will be considered available for purchasing food. Most households of five people or more will receive higher benefits in 2003. Using QC data, CBO estimates about 810,000 households will receive an average increase in benefits of more than $8 per month for total costs of $80 million in 2003. The 10-year costs will total $1.9 billion.

Standard Utility Allowance. Section 4104 allows states that choose to make a standard utility allowance (SUA) mandatory to use the full SUA for certain households: those that share utility expenses with individuals not in the Food Stamp unit and those public housing residents with central meters who pay for excess utility expenses. The SUA is combined with rent or mortgage payments to determine the excess shelter deduction. Under prior law, states could choose to make the use of the SUA mandatory for most other households with utility expenses. States accounting for almost 25 percent of total benefits have chosen the mandatory SUA. In other states, households can choose to use either the SUA or actual utility costs. CBO estimates this provision will cost $60 million in 2003 and $620 million over the 10-year period.

Resource Definition. Section 4107 allows states to exclude from the definition of resources those types of resources they do not consider when determining eligibility for cash assistance under TANF or for Medicaid, although states will not be allowed to exclude resources that are readily accessible to the household, such as cash or assets in certain financial accounts, or licensed vehicles. Under section 1931 of the Social Security Act (which is the section with which states will be allowed to conform their Food Stamp resources rules), states accounting for about 17 percent of Food Stamp benefits have chosen to disregard all assets in determining eligibility for Medicaid. CBO assumed that most of these states will choose to exclude the types of resources this section allows them to exclude. Using data from the

Survey of Income and Program Participation (SIPP), CBO estimates an additional 9,000 households will participate once the provision is fully phased in by 2005 with an average monthly benefit of $210.

In addition, this section will increase the resource limit for households with a disabled member to the same level as households with an elderly member—$3,000. Previously, households without an elderly member had to have countable assets of $2,000 or less to be eligible for food stamps. Using QC and SIPP data on the assets of households with elderly and disabled members, CBO estimates about 5,000 households will become newly eligible at an average monthly benefit of $115. This section will increase spending by a total of $305 million over the 2002-2012 period.

Reporting Requirements. Section 4109 provides states with additional options for how households report changes in their circumstances. Under final regulations released in November 2000, states have the option to allow a household with earned income to report every six months, unless the household's income exceeds the gross income threshold for eligibility. This section will allow states to implement this option for all households.

CBO used data from the SIPP on changes in Food Stamp households' income over a six-month period to estimate changes that households will not be required to report under the new option. These changes were adjusted for households' likely reporting behavior, the number of households that will exceed the gross income limit and become ineligible, and the costs of the reporting option under regulations in place prior to enactment. CBO estimates this reporting option will result in states missing changes in income that will result in a net decrease of about one-half of one percent of total benefits. Given baseline assumptions about other reporting options that are available to states such as quarterly reporting, CBO assumes that states with 45 percent of benefits will eventually take this option, for costs of $35 million in 2003 and $395 million over the 2002-2012 period.

A related provision—section 4106—allows states to disregard certain changes in deductions from gross income during a household's certification period. Under prior law, a state was required to adjust benefits in response to a household's report of changes in spending that affect the amount of deductions. CBO cannot estimate the costs of this option because there are not sufficient data to assess how the spending of Food Stamp recipients on items such as child care, medical care, and child support payments fluctuates over the course of several months. However, CBO expects that the costs should be significantly lower than the annual $35 million to $45 million costs of section 4109, perhaps up to several million dollars a year.

Cost Neutrality for Electronic Benefit Transfer Systems. Section 4110 eliminates the requirement that a state's electronic benefit transfer system be cost neutral relative to the costs of the state's coupon issuance system. Based on information from the Food and

Nutrition Service (FNS) on actual cost overruns and contract negotiations for states, CBO estimates annual costs of $1 million beginning in 2003.

Transitional Food Stamps. Section 4115 allows states to provide up to five months of Food Stamp benefits to households leaving the TANF program. These benefits will be set at the level received in the month prior to leaving welfare, adjusted for the loss of cash assistance and, at state option, for information from other assistance programs. Households will have the option to reapply for benefits under regular Food Stamp rules. Under the final regulations released in November 2000, states have the option to provide transitional benefits to these households for up to three months. This section will allow states to provide transitional benefits for an additional two months, even if the transitional benefit period extends beyond the household's Food Stamp certification period.

CBO estimates about 35,000 TANF households, on average, could potentially be eligible for transitional benefits annually. We assume states accounting for about half these cases will choose this option by 2005. These households will receive an additional two months of benefits relative to prior law with average benefits of about $275 per month in 2003, for costs of $60 million in 2003 and about $1.3 billion over the 10-year period.

Grants for Simplification and Access. Section 4116 authorizes up to $5 million each year for grants for simplifying applications and eligibility determination systems, and for improving access to the Food Stamp program. CBO estimates this section will increase spending by $3 million in 2003 and by $48 million over the 10-year period.

Quality Control System and Bonus Payments. Section 4118 revises the system under which USDA measures payment accuracy and section 4120 sets up a new system of bonus payments for performance. Under prior law, USDA measured the accuracy of benefit determinations and computes payment error rates for every state. States with payment error rates higher than the national performance measure were subject to sanctions. Most states subject to sanction entered into agreements with USDA to reinvest these liabilities into program improvements.

The act revises how sanctions are determined. Based on state-level error rates for fiscal years 1997 through 2000, CBO estimates that any costs or savings from these changes will not be significant.

The prior system also provided enhanced administrative funding for states with a payment error rate below 6 percent. The law will eliminate this system beginning with fiscal year 2003 error rates. Based on actual enhanced funding payments for fiscal year 2000 error rates, CBO estimates savings of $606 million over the 10-year period.

Section 4120 creates a new system of performance measures and bonus payments beginning in fiscal year 2003. New performance measures will be created and payments totaling $48 million each year will be paid to states with the best or most improved performance, for an increase in spending of $432 million over the 2003-2012 period.

Funding for Employment and Training Program. Under prior law, states received funding for employment and training programs that was 100 percent federally financed—$165 million in fiscal year 2002. States were required to spend 80 percent of these funds on able-bodied adults without dependents. There were also limits on the amount a state could be reimbursed for work slots they created and a maintenance of effort (MOE) requirement for state spending. Other state spending in the employment and training program was matched dollar for dollar by the federal government.

Section 4121 reduces budget authority to $110 million each year and rescind all unobligated funds carried over from pre-2002 budget authority. It also ends the MOE requirement, the limits on slot reimbursement rates, and the requirement to spend at least 80 percent of funds on able-bodied adults. Of the $110 million each year, $90 million will be allocated among all states, and the additional $20 million will be available to states that pledge to serve all able-bodied adults without dependents who will otherwise lose eligibility for the Food Stamp program.

CBO examined the pattern of spending by states in the employment and training program. For states likely to spend less than their estimated allocation of the base funding amount ($90 million), CBO assumed these states will increase spending of the 100 percent federal funds because of the easing of restrictions for spending of those funds, and shift spending from matched funding to full federal funding. For states likely to spend more than their allocation, CBO assumed these states will make up about half of the cut in resources by increasing their use of the 50 percent matched funding. These assumptions result in net savings of $411 million over the 2002-2012 period.

This section also eliminates the limit on reimbursement of participant expenses. Based on the amount spent in 2001 on these expenses, and the amount a limited number of states have indicated may be needed for transportation reimbursement, CBO estimates the federal share of the higher reimbursement limit will total $191 million over the 2002-2012 period. This leads to a net savings of $15 million in 2002 and net savings of $220 million over the 2002-2012 period for section 4121.

Related Nutrition Programs in the Food Stamp Act. Title IV reauthorizes and amends several other nutrition programs included in the Food Stamp Act. Section 4124 combines the nutrition assistance programs for Puerto Rico and American Samoa into one block grant set at $1.4 billion in 2003 that will be adjusted each subsequent year by the change in the

Thrifty Food Plan. Section 4125 authorizes assistance for community food projects at $5 million each year for fiscal years 2002 through 2007. These projects were authorized under law at $2.5 million each year through fiscal year 2002. Section 4126 authorizes $140 million for each of fiscal years 2002 through 2007 for the purchase of commodities for the Emergency Food Assistance Program. Under prior law, $100 million was authorized each year through 2002. These sections will increase spending by $20 million in 2002 and by a total of $534 million over the 2002-2012 period.

Restoration of Eligibility for Certain Legal Aliens. Section 4401 restores Food Stamp eligibility for certain categories of qualified aliens. Public Law 104-193, the Personal Responsibility and Work Opportunities Reconciliation Act of 1996, made most aliens ineligible for food stamps until naturalization, except for refugees or asylees during their first five years in the United States, aliens who have 40 quarters of employment covered by Social Security, or aliens who are veterans or active duty military personnel. Public Law 105-185, the Agricultural Research, Extension, and Education Reform Act of 1998, restored eligibility to refugees and asylees in their first seven years in the country, and children, elderly, or disabled aliens who resided in the United States as of August 22, 1996.

The law will restore eligibility to all qualified alien children under 18, restore eligibility to all qualified disabled aliens, and restore eligibility to other qualified aliens who have resided in the United States for at least five years, with different effective dates for each provision. Based on fiscal year 1996 QC data adjusted for changes in Food Stamp rules, CBO estimates that this section, when fully phased in, will increase participation by about 385,000 participants in an average month in 2006. Of these estimated new participants, about 350,000 will be restored due to the provision restoring eligibility to individuals in the United States for at least five years, and an additional 35,000 will be children in their first 5 years in the country. CBO assumes only a small number of aliens will be newly participating due to the provision for disabled aliens. This section will cost $40 million in 2003 and $3 billion over the 2003-2012 period.

Minimum Commodity Assistance in the School Lunch Program. USDA provides both cash reimbursement and commodity assistance for each meal served under the National School Lunch program, and a minimum of 12 percent of the total assistance must be in the form of commodities. Section 4301 reverses a requirement that the value of bonus commodities (those purchased by USDA to remove surpluses or support prices, and then donated to the school lunch program) be included in calculating this minimum value for fiscal years 2002 and 2003. CBO expects that $50 million of bonus commodities will have been provided and counted toward the requirement each year under prior law. Therefore, the Secretary of Agriculture will have to purchase an additional $50 million to meet the requirement each year, for total costs of $100 million over the two-year period.

Other Nutrition Programs. Section 4305 requires the Secretary to use up to $6 million available under the funds for strengthening markets, income, and supply account, also known as section 32, to operate a pilot program to provide free fruits and vegetables in schools in four states and on one Indian reservation for the 2002-2003 school year. Using information from FNS and the Bureau of Labor Statistics on the prices of fruits and vegetables that are likely to appeal to children and on average school enrollment from the National Center for Education Statistics, CBO estimates this program will increase spending by $5 million.

Section 4307 authorizes $15 million of CCC funds in 2002 for the farmers' market nutrition program in the Special Supplemental Nutrition Program for Women, Infants, and Children. Section 4402 authorizes $5 million in 2002 and $15 million through 2007, also from CCC funds, for the senior farmers' market nutrition program. These sections will increase spending by $13 million in 2002 and $165 million over the 2002-2012 period. Finally, section 4201 authorizes CCC funds to be used to allow states who entered the commodity supplemental food program in 2000 to operate at the level originally assigned to the state through the 2002 caseload cycle. CBO estimates this will increase spending by $1 million.

Title V: Credit. The act makes no changes to direct spending in this title.

Title VI: Rural Development Programs. Title VI of the act increases direct spending for rural development by $870 million over the 2002-2012 period. Most of that spending will occur over the next five years. Section 6029 establishes the Rural Business Investment Program to provide federal subsidies and loan guarantees on debentures to qualified venture capital corporations that invest in small enterprises in rural communities. Spending under that section would cost $100 million over the 2003-2005 period.

Section 6031 provides funding for all pending applications for rural water treatment grant and loan programs under the Rural Community Advancement Program that cannot be funded through the fiscal year 2002 appropriations for such programs. Based on information from USDA, CBO estimates that this provision will cost $360 million over the 2002-2008 period.

In addition, title VI provides funding for several rural development initiatives, including $240 million for value-added agricultural product market development grants, $100 million for grants to enhance broadband access in rural areas, $50 million for grants to rural firefighters and emergency personnel for training, $80 million for assistance to rural local television, and $100 million for rural strategic investments. The act repeals the Fund for Rural America program, for a savings of $160 million over 10 years.

Title VII: Research and Related Items. This title increases spending on research through the Initiative for Future Agriculture and Food Systems by $276 million over the 2002-2007 period and by $1.2 billion over the 2002-2012 period. This initiative awards funding to research projects that address critical emerging issues related to future food production, environmental protection, farm income, or alternative uses of agricultural products. The act also establishes two new research programs: it provides $15 million for organic agriculture research and extension; and $8 million for grants for youth organizations.

Title VIII: Forestry Initiatives. This title provides $100 million over the 2002-2007 period for a new program to provide assistance to owners of private nonindustrial forest lands. Based on information from USDA, we estimate that outlays would occur over the 2002-2009 period.

Title IX: Energy Programs. This title provides funding for several renewable energy programs. Specifically, the title will provide for loans and grants to encourage small businesses and farmers to develop and use renewable energy, funds to study hydrogen and fuel cell technology, and funds for research and development into the use of biomass products for fuel. In addition, the act provides funds to encourage the production of renewable fuels, such as biodiesel and ethanol. Overall, CBO estimates that the provisions of title IX will cost $375 million over the 2002-2007 period, and $405 million over the 2002-2012 period.

Title X: Miscellaneous Provisions. Title X contains several miscellaneous provisions for crop insurance, market loss payments, purchase of specialty crops, and funds to assist in implementing the act. CBO estimates that these provisions will cost $162 million in 2002, but will save $131 million over the 2002-2007 period and $1.5 billion over the 2002-2012 period.

Crop Insurance Continuous Coverage. Section 10002 prohibits implementing continuous coverage for the crop insurance program until after 2012. CBO estimates this provision saves $128 million in 2006 and $1.8 billion over the 2002-2012 period. Crop insurance coverage is available in 5 percent increments (50, 55, 60, 65, 70, 75, 80, and 85 percent of expected yields) through 2005. Under prior law, beginning in 2006, producers would have been able to select coverage levels in 1 percent increments. The availability of coverage in 1 percent increments, known as continuous coverage, would have increased the cost of the crop insurance program because in some cases a slight reduction in the coverage level could have resulted in a substantial increase in the subsidy rate. For example, reducing the coverage level from 85 percent to 84 percent of expected yields would have allowed producers to increase the subsidy rate from 38 percent to 48 percent of total premium.

Market Loss Payments. Sections 10105 and 10106 provides one-time market loss payments of $94 million for apples and $10 million for onions.

Specialty Crop Purchases. Section 10603 requires that at least $200 million of the funds available under the funds for strengthening markets, income, and supply account (known as section 32) be used to purchase fruits, vegetables, and other specialty crops each year. Of that amount, at least $50 million is to be used for purchase of fresh fruits and vegetables through the Department of Defense Fresh program for use by schools and other institutions. Based on the amount and types of commodities purchased over the last 10 years, CBO estimates this section will require additional commodity purchases and increase direct spending by $7 million in 2002 and by a total of $93 million over the 2002-2012 period.

Other Miscellaneous Provisions. In addition, title X provides $5 million in 2002 for the National Organic Certification Cost-Share Program. It expands the crop insurance program for sweet potatoes at a cost of $19 million over the 2002-2012 period. The act also expands a crop insurance pilot program at a cost of $19 million over the 2002-2012 period. The act will delay repayment of emergency loans made to seed producers, for a cost of $1 million. Finally, the act provides $55 million for implementation and information management activities related to the new farm act.

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